

Business Update

November 4, 2010



Statements made in this overview of operations regarding Kyushu Electric Power's strategies and forecasts and other statements that are not historical facts are forward-looking statements based on management's assumptions and beliefs in light of information currently available, and should not be interpreted as promises or guarantees. Owing to various uncertainties, actual results may differ materially from these statements. Investors are hereby cautioned against making investment decisions solely on the basis of forward-looking statements contained herein.

Table of Contents

Section 1

The progress of Business Management Plan for FY2010

1	Promotion of Nuclear Power	1
2	Overseas Business Development	2
3	Efficiency Improvement	4
4	Other	5

Section 2

	Economic Trend of Kyushu Region	6
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Section 1

**The progress of Business
Management Plan for FY2010**

1 Promotion of Nuclear Power

[Development Plan for Unit 3 at Sendai Nuclear Power Station]

- On September 24th, the Company applied to the Minister of Economy, Trade and Industry for important electric power development site designation for the development plan for Unit 3 at Sendai Nuclear Power Station. (This was conducted based on the Regulation Relating to Designation of Important Electric Power Development Sites, Notification of the Ministry of Economy, Trade and Industry No. 31 of February 18, 2005).
- Important electric power development sites are designated by the Minister of Economy, Trade and Industry for the purposes of building local consensus and facilitating related approval procedures, etc., based on applications by electric power companies for sites associated with electricity sources that are regarded to be especially important for the government to promote.

· The Company is actively developing nuclear power as a core power source because it takes an important role in energy security (long-term fuel procurement stability) and measures on global environmental issues (no CO₂ emission during operation) and has great economic efficiency. The Company is working toward starting operation of Unit 3 at Sendai Nuclear Power Station in FY2019.

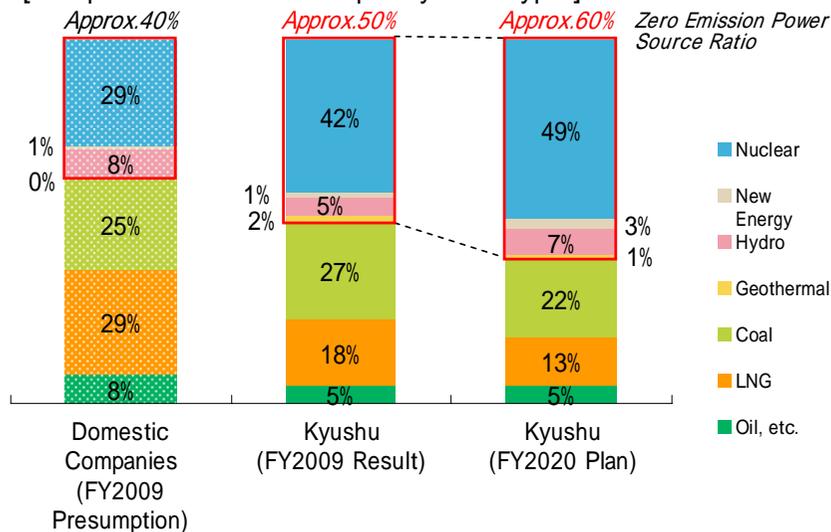
- Outline of Facilities -
 - System: Advanced pressurized water reactor (Advanced PWR)
 - Output: 1,590 MW

- In FY 2020, our zero-emission power supply rate will be approx. 60% due to development of the Unit 3 at Sendai Nuclear Power Station.
- Annual CO₂ reduction effect of the Unit 3 Sendai Nuclear Power Station development will be approx. 7-9 million tons.

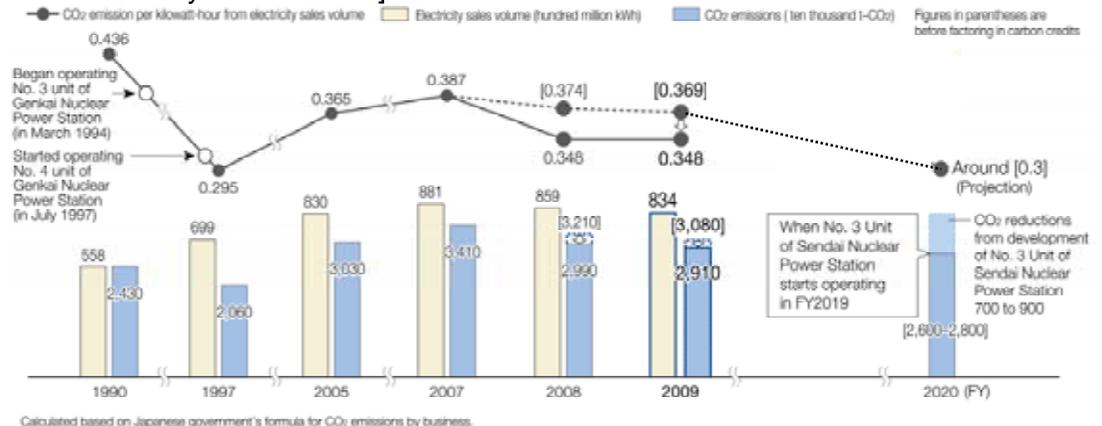
[Major Process]

Item	FY	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Major Process		Development project application	Environmental impact assessment submission	First public hearing			Government's approval of changes in nuclear reactor installation construction starts					Fuel loading	Operations start

[Composition of Power Output by Fuel Type]



[CO₂ emissions kg-CO₂/kWh, results and forecasts for CO₂ emissions kg-CO₂/kWh from electricity sales volume]



2 Overseas Business Development (1)

[Present Situation]

- The Company has 7 overseas generating projects in 6 spots with total output of 6.884 million kW. The amount of electric power output from each project corresponding to the Company's investment share is 1.5 million kW.
- Total investment amount is approx. 40 billion yen.

[Future Plan]

- The Company will build high - efficiency thermal power IPP projects and power generation projects with renewable energy resources including geothermal and wind power mainly in Asian region, contributing to CO₂ emissions reduction on a global scale.
- Over the coming 10 years, the Company plans to expand its total investment to about 100 billion yen and its ownership interest to about 3 million kW.

[Recent Topics 1]

- Our fully owned subsidiary Nishinippon Environmental Energy Co., Inc. (NEECO) has made a shareholders agreement with India's Orient Green Power Company Limited (OGPL), a renewable energy development company, to conduct a biomass IPP power generation business (fueled by poultry manure and woody biomass) in Namakkal, Tamil Nadu. (July 2010)

· Orient Eco Energy Ltd. (OEEL), a company that conducts biomass power generation projects and is 40% owned by NEECO, has entered a long-term power sales agreement with the Tamil Nadu Electricity Board (TNEB), etc., in India to conduct a power generating business that supplies electricity. Total project costs including fuel mixture facilities are approximately 1 billion yen, with plans to start operations in FY 2011.

· The Group will use the experience and know-how gained from the development and management of Miyazaki Biomass Recycling Co., Inc., a poultry manure power generating business in Miyazaki, to contribute to the stable supply of electricity in India, known for its chronic power shortages, and contribute to the spread of biomass power generation, which is a form of renewable energy.

[Location]



[Outline of Orient Eco Energy Limited]

	Specifics
Description of Business	IPP with Fuel of Poultry Manure and Woody Biomass
Ownership Breakdown	Orient Green Power Company Limited 60% Nishinippon Environmental Energy Co., Inc. 40%
Location	Namakkal, Tamil Nadu, India (380km to the southwest from Chennai)
Output Capacity	7,500kW
Fuel	Poultry Manure and Woody Biomass
Start of Operation	FY2011(plan)

(Reference) Outline of Miyazaki Biomass Recycle Co., Inc.

	Specifics
Description of Business	Sales of Electricity Generated with Heat by Poultry Manure Incineration Sales of Ashes Derived from Poultry Manure Incineration
Ownership Breakdown	Farmhouses 54%, Nishinippon Environmental Energy Co., Inc. 42% Broiler Companies 4%
Location	Kawaminami, Koyu-gun, Miyazaki Prefecture
Output Capacity	Approx. 11,000kW
Fuel	Poultry Manure
Start of Operation	May 2005

2 Overseas Business Development (2)

[Recent Topics 2]

- The Company has acquired a portion (33.2%) of the issued shares of the Hsin Tao Power Corporation, a power producer located in Hsinchu Prefecture in Northern Taiwan. (October 2010)

· Hsin Tao Power Corporation is a company that generates 600,000 kW with an LNG combined-cycle power plant that was developed after the second round of IPP bidding conducted by the Taiwan Power Company in 1995. Operations started at the electric power plant in March 2002, and all of the power generated is sold to the publicly owned Taiwan Power Company.

· This project is the Company's first in Taiwan, and this overseas expansion follows market entries in Mexico, the Philippines, Vietnam, Singapore, and China. The IPP system is well organized in Taiwan, and it is expected that demand for electric power will steadily grow (there are plans to develop 16,700,000 kW of new energy sources by FY 2020). Our strategy is to use this project to establish a base in Taiwan in order to actively promote new business in the country.

[Project Outline]

	Specifics
Company Name	Hsin Tao Power Corporation
Ownership Breakdown	Marubeni Corporation 50.0%, the Company 33.2% Cathay Life Insurance () 10.0%, Other 6.8%
Location	Shinchiku-ken, Taiwan (Approx.50km to the southwest from Taipei)
Start of Operation	22th March 2002
Power-generating Facilities	600,000kW Gas Combined Cycle (GT × 3 ST × 1)
Electricity Buyer	Taiwan Power Company : 25 year contract until 2027
Fuel Supplier	CPC Corporation, Taiwan : 25 year contract until 2027
E P C	G E / Bechtel
O & M	G E International (long-term O&M contract until 2020)

() Taiwanese number one publicly-listed insurance company

[Location]

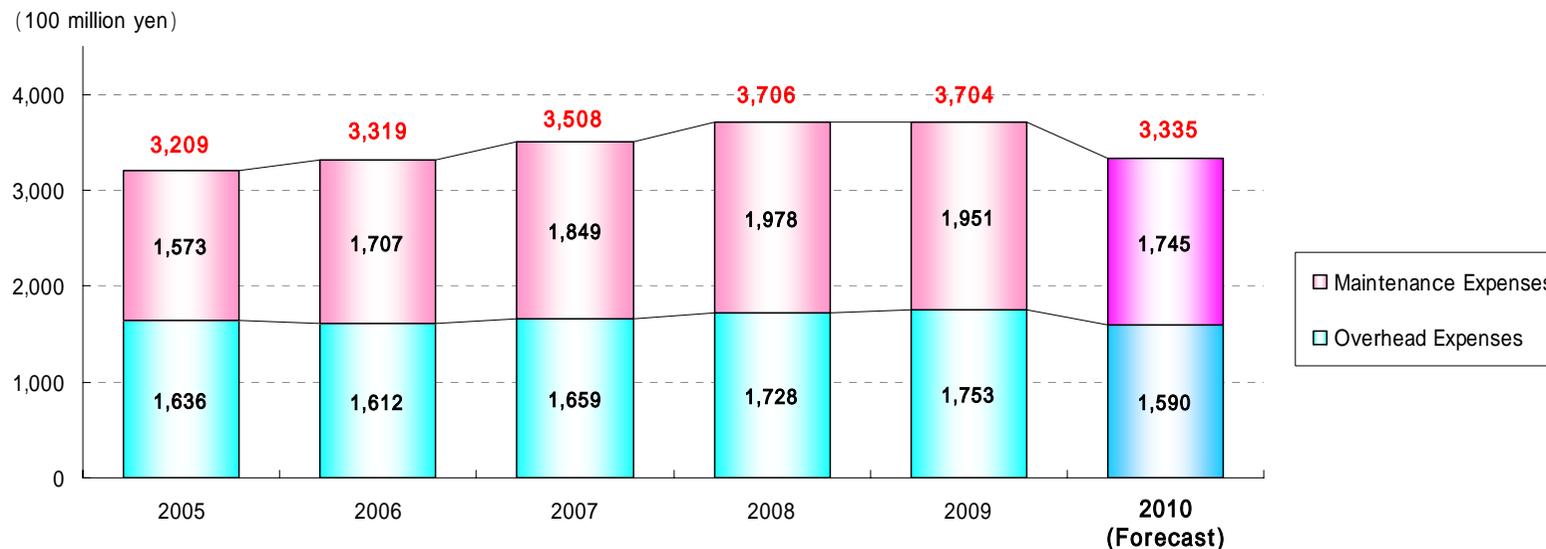


3 Efficiency Improvement

[Reduction of Maintenance and Overhead Expenses]

- The Company is working thoroughly to improve overall efficiency in operation by rescheduling construction based on the risk evaluation including inspection results, reviewing construction area based on cost-effectiveness and renegotiating unit prices, while there are factors of increase such as the aging of facilities.
- In FY 2010, maintenance and overhead expenses are expected to total 330 billion yen, which is the level of results from FY 2006, and down 38 billion yen compared to the previous fiscal year, which was incorporated in the original projections. As for the fiscal year forecast, currently we are progressing nearly in line with original projections.

[Maintenance and Overhead Expenses]



Overhead Expenses : 9 expense items of waste disposal expenses, consumables expenses, compensation expenses, leasing fees, subcontract fees, expansion and development expenses, training expenses, research expenses and others

[Specific Examples for Reduction of Maintenance and Overhead Expenses]

- Reschedule of maintenance work and revision of repair area based on the detailed consideration of the degree of emergency and impact
- Revision of subcontract fees (outsourcing area, unit cost) and leasing fees, other overhead expenses reduction etc.

4 Other

Active Development and Introduction of Renewable Energy

Development of Mega-solar Omuta Power Station (3,000kW) [commencement of operation in November]

Introduction of Solar Power Generation (from homes) [116 thousand contracts as of the end of September]

- Number of contracts increased with about twice the pace of before introduction of the system

On-site Solar Power Generation Business by Kyuden Ecosol Co., Ltd.

- It has been decided to introduce on-site solar power generation systems to 6 customers including Fukuoka Airport Building Co., Ltd. (207kW)

Proving Tests of Electric Power Generation with Woody Biomass Mixed Combustion at Reihoku Power Station [scheduled commencement in around January to February 2011]

- Maximum woody biomass combustion volume of 15,000 tons per year (co-firing ratio of approx. 1%)

Change in Rated Output of Takigami Geothermal Power Station (25,000kW → 27,500kW) [June]

Commenced Demonstration Experiment of Micro Grid [April (~ March 2013)]

Improving Facility Efficiency and Maintaining Aged Facilities

Completed Replacement of Gas Turbine of Unit 1 (1-2 axis) at Shin-Oita Thermal Power Station [July]

- Under replacement construction of all 6 axes of Unit 1 in sequence from July 2009 (Completed in 1-4 axis and 1-2 axis)
- Scheduled to complete replacement of all 6 axes of Unit 1 in October 2012
- Thermal Efficiency +3.3% (43.0% → 46.3%), Annual CO₂ Emission Reduction Volume 200,000 tons, Annual Fuel Consumption Reduction Volume 40,000 tons

Long-term and Stable Fuel Procurement

Establishment of Hibiki LNG Company Ltd. (the Company's investment ratio : 10%) [April]

- Hibiki LNG terminal : commencement of work in July 2010, commencement of operation in November 2014
- Providing backup to the Tobata LNG terminal owned and operated by our group company Kitakyushu LNG Company Ltd.

Section 2

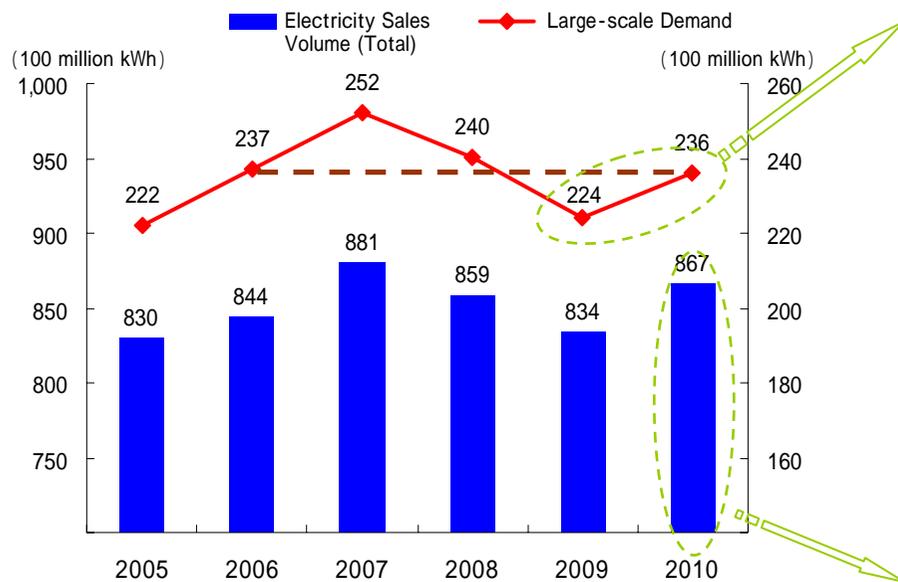
Economic Trend of Kyushu Region

Economic Trend of Kyushu Region (1)

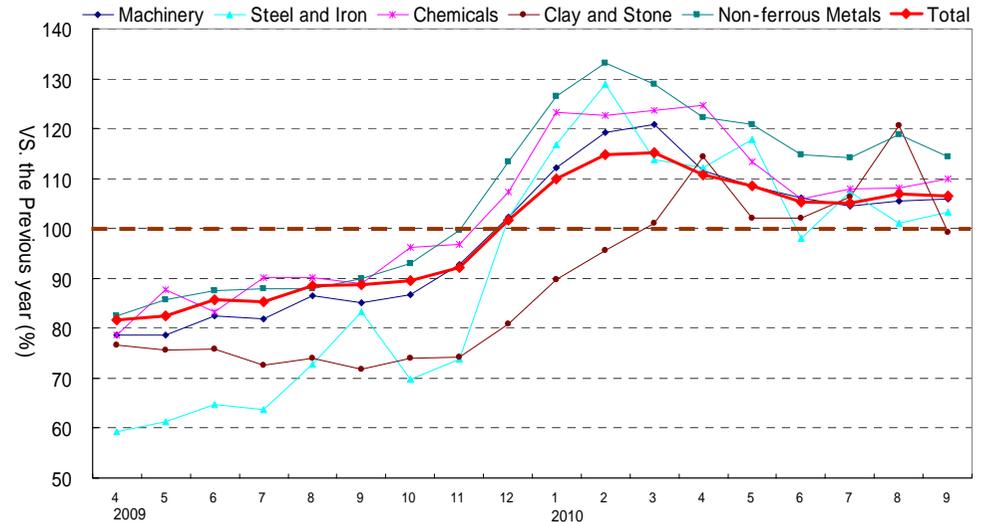
- The Company revised the forecast of electricity sales volume for FY2010 upward to 86.7 billion kWh, +3.3 billion kWh compared with the previous year, mainly due to the effect of high temperature in this summer.
- The forecast demand of large-scale customers for FY2010 recovered to the level of approx. 94% compared to FY2007 (before Lehman shock), almost equivalent level of FY2006.
- For the month of September 2010, the increased sales in main industries including Electric machinery, Transportation machinery, Chemicals and Non-ferrous Metals brought sales volume up by 6.5% from the previous year. The sales volume exceeded the previous year for 10 months in a row.
- The Company revised the forecast demand of large-scale customers for second half of FY2010 upward mainly because a new Electric machinery factory is expected to start operation.
- In terms of the economic outlook, the economy is expected to head towards a smooth recovery in the future. However, there are concerns about the reduced effect of monetary policy, the impact from currency fluctuations such as yen appreciation, etc., and underperformance of the economy overseas especially in Europe and the United States.

Electricity Demand

[Electricity Sales Volume and Large-scale Demand]



[Year-on-year change by industry]



[Forecast for FY2010]

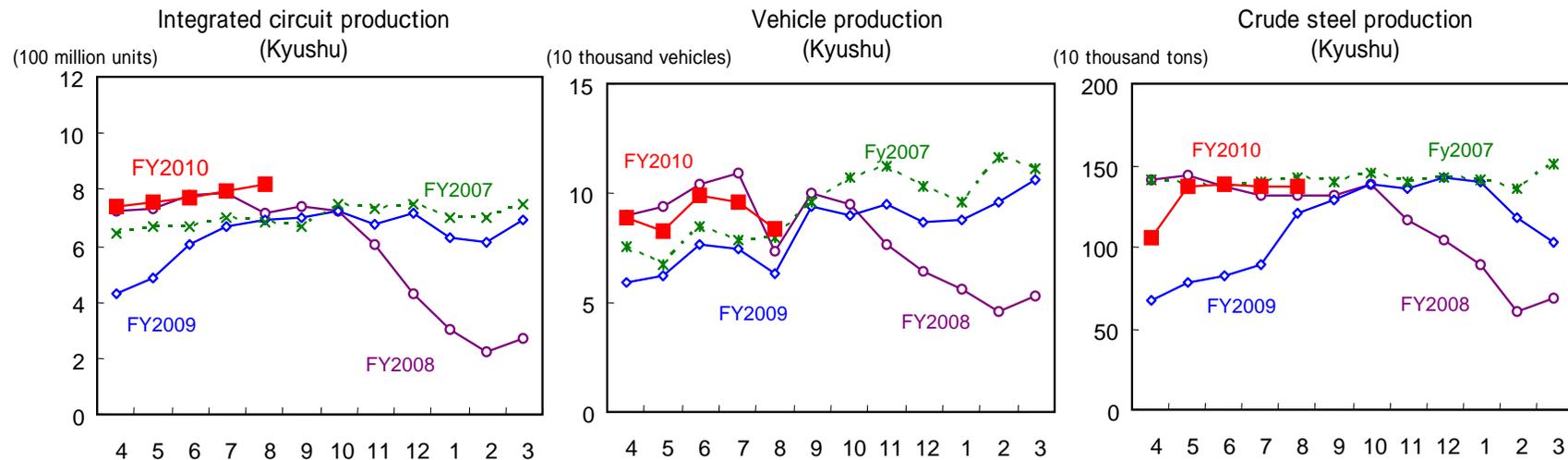
	Current Announcement			Previous Announcement (B)	Difference (A - B)
	First Half	Second Half	Full Year (A)		
General Demand	(103.4) [10.5]	(100.9) [2.8]	(102.1)	617.3	13.3
Large-scale Customers	(100.8) [1.0]	(101.3) [1.4]	(101.0)	233.6	2.4
Total	(102.7) [11.5]	(101.0) [4.2]	(101.8)	850.9	15.7

Note: () Compared with previous announcement, [] Difference from previous announcement

Economic Trend of Kyushu Region (2)

Production situation of the main products

It recovered to almost the same level before recession



(Source) Kyushu Bureau of Economy, Trade and Industry "Industrial trend in Kyushu region"

Major Capital Investment Plan

(billion yen)

Period	Company	Project Details	Investment
~ 2010	Japan Casting & Forging Co.,	Newly build a factory to manufacture axis of turbine for nuclear power generation (Kitakyushu)	10
~ 2010	Mitsubishi Heavy Industries, Ltd.	Newly build a lithium-ion battery factory (Nagasaki)	10
TBA	Daihatsu Kyushu	Open design/development center (Fukuoka)	TBA
2010 ~ 12	Bridgestone Corporation	Enhance capacity of radial tires for construction vehicles (Kitakyushu)	29.5
~ 2011	FUJIFILM Corporation	Enhance capacity of liquid crystal panel protection film factory	21
~ 2011	SOLAR FRONTIER .K.K. (Showa Shell Solar Co., Ltd.)	Newly build world-largest class solar cell factory (Miyazaki)	100
~ 2012	Fuji Electric Systems	Enhance capacity of solar cell factory (Kumamoto)	37
~ 2012	The Nippon Synthetic Chemical Industry Co.,Ltd.	Enhance capacity of liquid crystal panel film factory	6
~ 2012	Mitsubishi Electric Corporation	Enhance capacity of power semiconductor factory (Fukuoka, Kumamoto)	10
~ 2014	Saibu Gas Co.,Ltd.	Newly build a major LNG receiving facility "Hibiki LNG Terminal"	70

(Source) Based on Newspaper articles etc.

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